

TEACHERS' RETIREMENT BOARD
INVESTMENT COMMITTEE

SUBJECT: Report of the Chief Investment Officer

ITEM NUMBER: 16

ATTACHMENT(S): 3

ACTION: _____

DATE OF MEETING: November 3, 1999

INFORMATION: X

PRESENTER(S): Mr. Mitchell

The following is a summary of the developments in the financial markets that have occurred between October 1, 1999 and October 15, 1999.

1. The yield on the 30-year U.S. Treasury bond has increased from 6.05% to 6.25%.
2. The market level of the S&P 500 Index has decreased from 1282 to 1247.
3. The U.S. dollar has weakened compared to euro (1.07 to 1.09) pound sterling (1.65 to 1.67) and yen (106 to 105).
4. The Federal Reserve Board of Governors will hold their next meeting on November 16, 1999. The Federal Reserve voted to change the bias towards tightening at the October 5, 1999 meeting, however left the targeted Federal Funds rate unchanged at 5.25%
5. The past week, October 11 through October 15 had the largest decrease in the Dow Jones Industrial Average on record. The percentage loss was the worst since October 1990. The DJIA average decreased 630 points from 10,649 to 10,019.

Note: Attachments 1 and 2 are not available in electronic format at this time.

California State Teachers' Retirement System
Internal S&P 500 Indexed Portfolio Return

The California State Teachers' Retirement System's internal S&P 500 indexed portfolio (Portfolio) was \$10,895,203,059 as of September 30, 1999. The performance objective of the Portfolio is to closely track the return of the S&P 500 Index. Table 1 shows the relative performance of the Portfolio. For the 9 month period ending September 30, 1999, the Portfolio outperformance versus the benchmark was 0.064%.

Table 1: S&P 500 Performance

Period	Portfolio Return	Index Return	Tracking Error
3/31/98 – 12/31/98	12.892%	12.975%	-0.083%
12/31/98 – 9/30/99	5.376	5.312	+0.064

Portfolio return calculated by State Street Bank Analytics.

The total return for the Index was calculated by Wilshire Associates.